

Memorandum

To: Village Clerk
CC: Village Administrator, Village Treasurer
From: Mike Harrington, Building and Grounds Committee
Date: 3/21/2014
Re: BACOG Lease

BACOG currently leases approximately 220 square feet of office space in the administrative portion of the village hall. This lease expires on June 30, 2014. BACOG has requested that we provide proposed terms for a new lease prior to their May Finance Committee meeting.

The village board needs to address two questions:

1. Should the village renew the lease with BACOG?
2. What are the proposed terms?

With respect to the question of whether we should renew the lease, the following points are relevant:

- Throughout the term of the current lease BACOG has been a good tenant and neighbor, maintaining the leased premises in good order and fully complying with the letter and spirit of the lease agreement.
- The village does not anticipate a need to utilize the leased space for offices for village employees in the foreseeable future. It is possible that the space could eventually be used for storage but such storage space is not currently needed.
- The village has no intention of leasing the space to any other entity besides BACOG. BACOG is an association of government officials representing Barrington Hills and six other municipalities and two townships in the Barrington area. BACOG is involved in land use and development, environmental protection, groundwater research, legislative action, shared services, development impact fees, public safety, community development, technology and the regional geographic information system.
- The village does not incur any incremental expense with respect to utilities, including internet, due to BACOG's occupancy.

With respect to the proposed terms of a new lease:

- The current lease arrangement for BACOG was for a two year term at a rent payment of \$1. The lease arrangement includes heat, light and access to the village's internet service provider.
- This arrangement was approved by resolution of the village President and Board of Trustees in February, 2012. The low rent payment was intended to assist BACOG during a budget cutting initiative so that fees to Barrington Hills and other BACOG members could be reduced.
- BACOG pays a fee of \$35 per month for the right to use, and for consumables relating to, fax and copy machines and the kitchen and bathroom areas.
- Similar office space in the Barrington area rents for about \$12-25 per square foot per year.

- The Committee could find very few spaces for rent in the Barrington area that were as small as the 220 square foot space occupied by BACOG. Moreover, rents for the smaller spaces tended to be at the low end of the rental scale.
- The duration of commercial leases are negotiated between landlords and tenants and vary in length from month- to-month to 10 years or more, with an average of about 3-5 years.
- A market rental rate for the leased space would likely be at or near the low end of the scale due to the small size, location, older age of the facility, older age of the carpet and paint, limited operating hours of the facility, and the absence of attractive commercial amenities such as food services and easy access to public transportation.

Recommendation:

The Committee recommends renewing a lease with BACOG on terms that are reasonable to both parties. For the village, reasonable was defined to mean that the lease is structured in a manner that: A) does not create an undue burden or cost for the village; B) recognizes economic value for the lease; C) recognizes that BACOG is a member- supported association that provides valuable services to the village and its residents; D) recognizes that BACOG is budget constrained and its expenses translate into member dues, part of which are paid by the village; and E) recognizes that the village has no intention of leasing the space to any tenant besides BACOG.

Accordingly, the Committee recommends the following:

- 2 year lease term – this term provides some certainty to both the village and BACOG while also maintaining reasonable flexibility for both parties;
- Annual rent of \$12 per square foot – Although this is at the low end of local market rents, this is within reason relative to points A through E above. This rate is inclusive of utilities and internet access, the continued use of common areas, and the use of copy, fax and kitchen facilities and corresponding consumables.

Next steps:

The Committee is seeking approval of the proposed terms from the Board of Trustees so that the terms may be presented to BACOG Executive Director, Janet Agnoletti, who will then discuss the terms with BACOG's finance committee. BACOG's response to this proposal will then be discussed at our next Board of Trustee meeting in April and resolutions for appropriate actions made at that time.